Privacy Law Good As Is, Survey Finds

Continued from *page* **2**
sumer privacy using "the present system or setting up a nonregulatory privacy board." Another 41% favor the creation of a regulatory privacy commission to increase protection.

Several banking and credit industry trade groups want to forestall additional disclosure requirements and other major changes in privacy regulations.

A proposed overhaul of the Fair Credit Reporting Act, one of the bills to be discussed in the congressional hearings today, is "premature," said Marcia Sullivan, vice president and senior legislative counsel for the Consumer Bankers Association, which represents about 900 retail banks.

"Everyone agrees that organizations have not been clear enough in saying, 'here are your rights,' " said Ms. Sullivan. "We feel consumers should be made to know what their rights are."

The association would be willing to consider additional legislation only if problems with fair credit reporting continue once consumers are better informed of their rights, Ms. Sullivan said.

Weaknesses Cited

Representatives of the American Financial Services Association and the Associated Credit Bureaus cited inadequate enforcement as one major weakness of the existing law. The credit reporting act took effect in 1971 and has not undergone a major overhaul since then.

Under this law, only U.S. attorneys may prosecute cases of unauthorized access to personal information collected by reporting agencies.

Walter Kurth, president of Associated Credit Bureaus, wants to allow consumers and reporting agencies to file complaints. He opposes other proposed amendments to the legislation that would tighten up credit reporting requirements.

Proposed Legislation

At today's hearing, legislation proposed by subcommittee chairman Richard Lehman, D-Calif., would strengthen the existing law in a number of ways. Mr. Lehman would:

- Prevent credit bureaus from releasing information unless the consumer granted express permission.
- Shorten the statute of limitations on negative credit information that a reporting agency could use.

Banking and credit industry trade groups want to forestall additional disclosure requirements.

- Require reporting agencies to offer consumers entire files, not just summaries.
- Require a consumer to be notified of their Fair Credit Reporting Act rights each time an agency reports information about that person.
- Require reporting agencies to provide annual copies of its reports to consumers.

The subcommittee will also consider similar bills submitted by Rep. Charles Schumer, D-N.Y., and Rep. Matthew Rinaldo, R-N.J.

Although past attempts at reform have not advanced in Congress, David John, special assistant to Rep. Rinaldo, predicts the current raft of bills may go further. "The question is when," he said.

Edmund Mierzwinski of the U.S. Public Interest Research Group, a consumer group founded by Ralph Nader, said he is optimistic the legislation will go further than in the past because of growing concern about the computer revolution. Increasing numbers of people have access to credit information, which agencies repeatedly"splice and dice"' and resell to ever more users. □

Apple Challenges Suitor on Partners

WASHINGTON — Apple Bancorp Inc. said in letters to federal and state banking regulators that Stanley Stahl should be required to file new applications with them to include partners in his effort to acquire Apple.

In letters dated June 5 to the New York State Banking Department and the Federal Reserve Bank of New York, Apple said Mr. Stahl's original applications for approval as a potential bank owner are invalid because they did not include his relationship with Apple Bancorp shareholders Edward Brodsky, Richard Czaja, and William Mason.

The letters were released in a Securities and Exchange Commission filing.

Mr. Stahl, Mr. Brodsky, Mr. Czaja, and Mr. Mason all are on the Apple Shareholders Protective Committee and have filed as a group with the SEC. Mr. Stahl, who holds a 30.6% stake in Apple, has made a $38-a-share tender offer for the company. — **Reuters**

The Fed Gives New Powers To Major Japanese Banks

By LINDA CORMAN

WASHINGTON — The Federal Reserve Board has approved the applications of two major Japanese banks to expand their activities in the United States.

Over the objections of Fed Governor Martha Seger, the board allowed the Bank of Tokyo , the 18th-largest bank worldwide, to do securities brokerage, trade foreign exchange, and provide investment advisory services through its wholly owned subsidiary, BOT Securities Inc., New York.

Fed Governor Martha Seger objected, saying neither bank meets capital requirements.

The board also approved the application of Nippon Credit Bank Ltd., Tokyo, the world's 32d-largest bank, to acquire Nippon Credit Trust Co. of New York and become a bank holding company.

Ms. Seger objected to both actions because she said neither Nippon Credit nor Bank of Tokyo meet capital requirements for U.S. banks. But the board issued its approval because it said the applicants met capital requirements using Japanese banking and accounting practices and taking into consideration the unrealized appreciation of their equity securities.

The board of governors also approved the application of Amsterdam-Rotterdam Bank and Stichting Amro, both of Amsterdam, to underwrite and deal in securities through their New York-based subsidiary, Amro Securities Inc.

The decision also allows the Netherlands' second-largest banking organization to perform limited dealing in mortgage-related securities, municipal revenue bonds, commercial paper and consumer-debt related securities, to privately place securities, to engage in a full range of brokerage activities, and to advise customers.

The Dutch banks were deemed to meet U.S. capital requirements. □

Investor Group Gets RTC Thrift in Florida

VIRGINIA BEACH, Va. — Essex Financial Partners, a group organized last year to buy thrift assets in the Southeast, said it has acquired Financial Security Savings and Loan of Delray Beach, Fla., in a deal with the Resolution Trust Corp.

The company said it will change Financial Security's name to Essex Savings Bank and inject enough capital to bring the thrift into compliance with regulatory guidelines. It said it will assume management of $125 million in Financial Security loans, investments, and deposits and has up to 90 days to decide which loans to keep and which to return to the RTC. — **Reuters**

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Auction Notices

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC #841437 Sell June 27, 1990 9:30 A.M. 2743 Stillwell Ave Bklyn 1981 Ford Van 1FTHS3469BHA37056 Re: F. Colon: 10:15 A.M. 174 Noll St Bklyn 1978 Oldsmobile 2 Dr Sdn 3K47F82432804 Re: J. Gonzalez: 10:30 A.M. 184 Noll St Bklyn 1979 Homemade Boat 160040883 Re: A. Vita: 11:00 A.M. 42-07 27th St Queens 1981 Plymouth Subn 1P3BK49B1BF264648 Re: A. Migliaccio: 11:30 A.M. 126-40 Northern Blvd Queens 1987 Yamaha Scooter JYA50N006HA010147 Re: C. Bliss: 12:00 P.M. 41-02 College Point Blvd Queens 1984 Toyota 2 Dr Sdn JT2RA63C3E6220128 Re: D. Anastasia: 12:30 P.M. 69-01 Woodhaven Blvd Queens 1983 Honda Moped AB133XDK100604 Re: E. Walters: 1:00 P.M. 122-26 Farmers Blvd Queens 1981 Yamaha Motorcycle 4W1000129 Re: E. Clayton, Jr.: 1:30 P.M. 126-14 Merrick Blvd Queens 1955 Chevrolet 2 Dr Sdn 55B025407 Re: R. Hardy: 2:00 P.M. 116-60 Sutphin Blvd Queens 1980 BMW 2 Dr Sdn 7180986 Re: A. Brand: 2:30 P.M. 106-17 Sutphin Blvd Queens 1981 Buick 4 Dr Sdn 1G4AC69X6BW234931 Re: P. Atkinson: 3:00 P.M. 103-45 Lefferts Blvd Queens 1983 Dodge 2 Dr Sdn 1B3BV51CEDG139439 Re: M. Freedman: 3:30 P.M. 87-15 Beach Channel Drive Queens 1987 Jeep Utility Vehicle 2BCCV8135HB521846 Re: VFC Transp. Lessors Inc.: 4:00 P.M. 706 E. 98th St Bklyn 1983 Volkswagon 4 Dr Sdn WVWFA0326DE005619 Re: L. Alexander: 4:30 P.M. 5818 Foster Ave Bklyn 1985 Audi 4 Dr Sdn WAUFB0449FN022914 Re: K. Strachan: 4:45 P.M. 4812 Farragut Rd Bklyn 1987 Lincoln 4 Dr Sdn 1LNBM81F3HY619604 Re: J. Moise. Metropolitan Auctioneers, Inc. Published June 12, 1990 & June 20, 1990.

E .F. Fazio Auct'r Lic #798972 Sells on 06/27/90 9 AM at 431 West 203rd ST NYC '78 Porsche #9308700704 Re: J. Perez; 9:30 AM at 1828 Webster Ave Bx '80 Chevy #1X115AT243077 Re: M. Colon, '83 BMW #WBADK7301D7956095 Re: Interstate A/S &/or F. Delos Santos, '88 Buick #1G4CW51C9J1600010 Re: E. R. Hayward '89 Pontiac #1G2JB11K9K7539493 Re: M. G. &/or C. Sarmento, '88 Dodge #JB3BA26K9JU061661 Re: B. Samedi, '88 VW #9BWGA0306JP083956 Re: J. Burke, '68 Ford #F50BED1176 Re: P. Stravoskoufis, '79 Datsun #HLS130134986 Re: P. Coffe, '85 Chevy #1G1AW19X1FG103574 Re: C. P. Joyner, '82 Ford #2FABP38F6CB177000 Re: F. Artiles; 11 AM at 57 Sinsink Dr. Wash, '85 VW #WVWGB0161FW558795 Re: VW Credit Inc/P. Kilcullen; 12 PM at 103-02 Rockaway Blvd Qns '81 Chevy #1G1AT35KXBK506359 Re: A. Frincu, '83 Nissan #JN1HT13S6DT111317 Re: W. B. Coligado, '81 Olds #2G3AR47A8B2497784 Re: A. Holland; 1 PM at 259 58th St Bklyn '83 Mitsubishi #JA3BF4640DZ704028 Re: W. Vega; 1:30 PM at 471 Baltic St Bklyn '87 Nissan #JN1PS24S7HW028602 Re: R. Hyman; 2 PM at 592 Pacific St Bklyn '67 Olds #338677W413375 Re: J. Doe; 2:30 PM at 990 Metro Ave Bklyn '79 Ford #F14HLDJ9171 Re: R. & M.C. Falcone; 3 PM at 516 West 27th St NYC '89 Ford #1FTEF25Y1KLB22379 Re: P. & O. Olaru; 3:30 PM at 502 West 35th St NYC '81 Ford #1FABP23B0BK157005 Re: J. Karaypof; 4 PM at 609 11th Ave NYC '86 Buick #1G4NJ27UXGM119177 Re: E. Henries; 4:30 PM at 2 West End Ave NYC '76 Cady #6S69R6Q460178 Re: J. Belin; 5 PM at 236 West 60th St NYC '81 Buick #1G4AX69Y8BH432802 Re: M. Izhri. Published 06/12 & 06/19/90.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC #841437 Sell June 19, 1990 10:00 A.M. 846 Atlantic Ave Bklyn 1979 Oldsmobile 2 Dr Sdn 3Z57R9E123673 Re: J. Feliciano; 10:30 A.M. 827 Sterling Place Bklyn 1972 Triumph 2 Dr Conv. CC81397U Re: M. Gizang; 1989 Hyundai 4 Dr Sdn KMHLF21J2KU514745 Re: Marine Midland Auto Fin Corp./A. Thomas; 1984 Mitsubishi 2 Dr H/B JA3BF44D6EZ451673 Re: A. Philbert: 11:00 A.M. 114 Lexington Ave Bklyn 1979 Chevrolet 4 Dr Sdn 1L69G9S143452 Re: D. Sing: 11:30 A.M. 200 Skillman St Bklyn 1987 Subaru 4 Dr Sdn JF1AC44B6HC202212 Re: D. Rollines: 12:15 P.M. 681-685 McDonough St Bklyn 1978 Cadillac 4 Dr Sdn 6S69B8Q506499 Re: E. Lewis: 12:45 P.M. 1967 Atlantic Ave Bklyn 1981 Datsun 4 Dr Sdn JN1PB01S7BU170749 Re: A. Bevacqua: 1:15 P.M. 2786 Atlantic Ave Bklyn 1949 Willy's Utility Vehicle 10086 Re: R. Fordin: 1:45 P.M. 2501 Fulton St Bklyn 1982 Cadillac 2 Dr Sdn 1G6AB4784C9134689 Re: G. Singletary: 2:15 P.M. 1756 Bushwick Ave Bklyn 1985 Mercedes Benz 4 Dr Sdn WDBDA24D7FF057372 Re: The Dartmouth Plan Inc/Mobile Audio Specialists Inc: 2:45 P.M. 1576 Bushwick Ave Bklyn 1984 Ford 2 Dr Sdn 1FABP4638EH124867 Re: K. Wright: 3:15 P.M. 1676 East New York Ave Bklyn 1980 Audi 4 Dr Sdn 81A0123349 Re: L. Stagg: 3:45 P.M. 168 Liberty Ave Bklyn 1978 Cadillac 4 Dr Sdn 6B69S8Q287339 Re: J. Hall: 4:15 P.M. 169 New Lots Ave Bklyn 1980 Mazda 4 Dr Sdn CB2MS624377 Re: H. Babbitt: 4:30 P.M. 120 New Lots Ave Bklyn 1973 Mack Truck DM685SX11815 Re: A. Agnello: Metropolitan Auctioneers, Inc. Published June 4, 1990 & June 12, 1990.

C. LAUDISI & ASSOCS., INC., auct'rs sell June 20, 1990 at 9 AM at 100-35 Atlantic Ave., Qns 1987 Dodge #2B7HB23T2HK262076 Acct. Oxford Resources Corp and/or A. Eskanizy; 9:30 AM at 97-07 100th St., Qns. 1986 Buick #1G4AH19X7GT474745 Acct. A. J. Ventura; 10 AM at 135-15 130th Place, Qns 1988 Ford #1FAPP9196JT183020 Acct. R. M. Marquez, 1984 Datsun #JN1MN24S7EM037155 Acct. A. Hill; 12 Noon at 151-20 6th Road, Qns. 1987 Volvo #YV1FX8841H1128579 Acct. D. Charkhy; 12:30 PM at 34-01 Union St., Qns. 1978 Ford #U15HLCH0519 Acct. S. Nam; 1 PM at 70-11 50th Ave., Qns. 1987 Chevrolet #1Y1SK5144HZ085025 Acct. S. D. Kinsella; 1:30 PM at 95-02 Northern Blvd, Qns. 1987 Mitsubishi #JA3BA36K3HU107661 Acct. G. Gonzales; 2 PM at 36-11 Northern Blvd, Qns. 1987 M/B #WDBDA34D3HF380780 Acct. D. Whiting; 3 PM at 57-11 79th Ave., Qns. 1986 Oldsmobile #1G3GR69A5GR331021 Acct. L. H. Endara and/or U. Endara, 1984 V/W #1VWAA0173EV080382 Acct. P.A. Havighorst; at 4 PM at 506 East 76th St., N.Y.C. 1983 Ford #1FABP46W9DH174220 Acct. S. P. White and/or R. Gordon; 4:30 PM at 421 East 93rd St., N.Y.C. 1989 Acura #JH4KA4642KC008835 Acct. M. R. Heffernan. Published June 5th & 12th, 1990.

Hal Zakow auct'rs sells 6/26/90 5 PM at 899 E. 134th St, Bx, NY '78 Chevy Tow Trk #CCL4481111902 Re: Imperial Collision. Published 6/12 & 6/19/90.

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Joel Pope auct'r Lic #794209 sells 6/27/90 10 AM at 50-06 72nd St Qns NY, '82 Dat #JN1CB0252CU105810 Re: League Ins Co.; 11 AM at 56-17 58th St Qns NY, '87 Chev #1G1YY3184H5102359 Re: Mhntn Lsng Grp Inc., Tilden Commer Alliance Inc, '46 HA/DA mcy #46F5918 Re: M. Connelly, J. Doe et al, '84 Olds #1G3AJ19E7EG317570 Re: A. Tuturici, '84 Ford #2FABP43F6EX193944 Re: S. Kramer; 12 PM at 241-07 Jam Ave Qns NY, '85 Pont #1G2FW87F7FN202741 Re: S. Parks, Bk of NY; 1 PM at 945 Atlantic Ave Bklyn NY, '89 Honda #1HGED3548KA030935 Re: L. Dandridge, Citibank NA, '89 Linc #1LNBM81F1KY612030 Re: CARS of NY Inc, NatWest Bk USA; on 6/28/90 9 AM at 660 Newbridge Rd, East Meadow NY, '71 Volvo #1453363-102515 Re: CJC Collision Inc., J. Doe, '88 Dodge #1B3BX48D6JN309951 Re: F. Inaldi, GMAC; 10 AM at 803 Cross Bay Blvd, Qns NY '84 Kawaski mcy 'JKAZXBA18EB502766 Re: M. Carr; 12 PM at 28 Sylvia St, SI NY '88 Merc #1MEBM50U5JG631623 Re: E. Barrett, Ford Mtr Cred Co., '68 Diamond REO Truck #DRB42DC585072 Re: Wander Iron Trkng; 3 PM at 55 Ludy St, Hcksville NY, '83 Chrys #2C3BF66PXDR123870 Re: Zara Contrctng Co. Inc., GE Cred Corp, LI Trst Co. Published 6/12 & 6/19/90.

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FDIC Appears Flexible on Insurance Issue

By YVETTE D. KANTROW

L. William Seidman, chairman of the Federal Deposit Insurance Corp., surprised the industry last week when he announced that his agency is reviewing whether bank insurance powers recently granted by a Delaware law are too risky for the deposit insurance system.

The brief announcement, made at the beginning of the agency's regular monthly meeting, caused speculation that the agency might take a hard line and prohibit its member banks from underwriting insurance. Such a step would undo the major expansion of insurance powers banks won after a hard-fought battle in Delaware.

ANALYSIS: *Follow-up on the news*

But the consensus among industry observers is that the FDIC will not prevent banks from taking advantage of the wide-ranging Delaware law. To be sure, the FDIC may very well conclude that underwriting and other insurance activities are risky for banks and warrant close scrutiny. But observers say the FDIC will most likely seek provisions to control the risk – such as the construction of firewalls – rather than attempt to outlaw underwriting altogether.

Stance Is Termed Decade Old

"I don't believe for a minute they would say that it can't be done," said William Isaac, a former FDIC chairman who is now with the Secura Group in Washington. He expects the FDIC to require all underwriting activities to be handled out of a bank subsidiary rather than out of a bank itself.

"That's been the position of the FDIC for a decade or so," he said.

Other observers expressed similar sentiments.

"I'd be shocked if Seidman said he wouldn't insure a state bank" that took advantage of the Delaware law, said Dennis J. Lehr, a partner with Hogan & Hartson in Washington. "There's a hundred ways [the law] could be conditioned and studied."

Signed May 30

Mr. Seidman asked his agency's staff last week to review the Delaware law, which grants state-chartered banks the power to underwrite and sell insurance nationwide. The law, signed by Gov. Michael L. Castle on May 30, effectively allows major banks like Citicorp and Chase

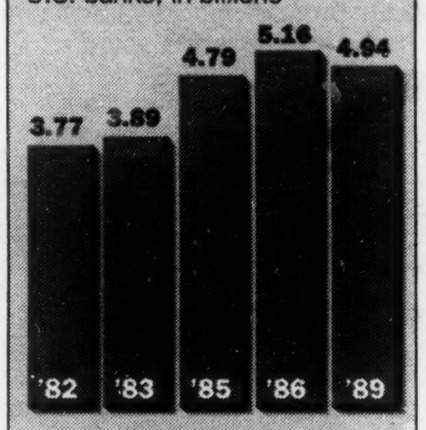
See **FDIC** *page* **16**

INSIDE NEWS

TECHNOLOGY

A Dip in Mail Volume

Pieces of first-class mail sent by U.S. banks, in billions



Data not available for '84, '87, '88
Source: American Bankers Association

SPIRALING POSTAL costs have led banks to send 4% fewer first-class letters than they did three years ago, according to an ABA study. *Page 3*

FINANCE

FIRST INTERSTATE Bancorp has sharply reduced the commercial paper it has outstanding as well as its reported purchases of federal funds. *Page 24*

WASHINGTON

MANUEL JOHNSON'S successor, if tradition holds, will have strong ties to the international banking community. *Page 8*

CONSUMER

REGULATORS and bankers are working together to iron out problems with the Community Reinvestment Act before July 1, the day CRA evaluations can be made public. *Page 6*

INTERNATIONAL

CHASE MANHATTAN and Citicorp are said to be planning to swap some of their loans to Argentina for minority stakes in the country's airline. *Page 10*

OTHER NEWS

LAWMAKERS' FURY over the conduct of the thrift bailout boiled over as members of a House panel accused the Resolution Trust Corp. of tolerating excessive salaries at seized thrifts and showing favoritism in awarding contracts. *Page 2*

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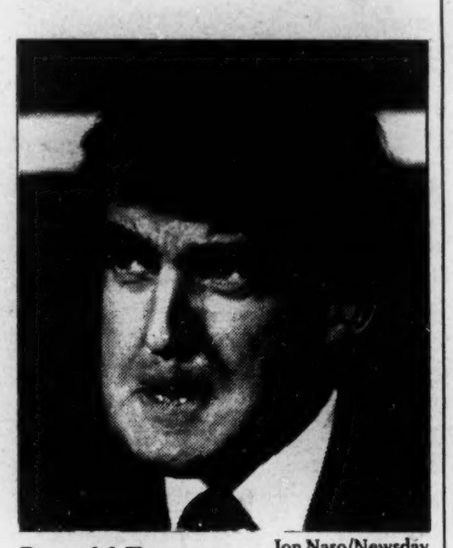
Classified Advertising	20
Bank and Thrift Stocks	23

Missed Bond Payment Starts A Clock Ticking for Trump

By STEPHEN KLEEGE

The Trump Organization said Friday a $30 million payment to bondholders of Trump's Castle casino was not being made, pending the outcome of negotiations with its bank lenders.

The move started a clock ticking that gives the faltering empire headed by Donald J.Trump 10 to 30 days in which to make the payment, or default on the bonds. A default could force Trump's casinos into bankruptcy, further impairing his ability to repay $2 billion in bank loans.



Donald Trump Jon Naso/Newsday

Pressure on First Fidelity

The failure to make the payment also puts heavy pressure on First Fidelity Bank, Newark, N.J., which is trustee of the bonds.

As trustee, the First Fidelity Bancorp. unit would have the option of extending the deadline to 30 days, according to one high-yield analyst. A spokesman for First Fidelity, which also holds $75 million of Trump loans, declined to comment.

Trump's major lenders – Citicorp, Chase Manhattan Corp., Bankers Trust New York Corp., and Manufacturers Hanover Corp. – reportedly had agreed to lend the developer an additional $60 million and defer interest payments on the bank loans. But this agreement was said to be contingent on approval from the other Trump bankers.

Bankruptcy Possible

However, some of the smaller lenders are holding out. Sources said the smaller banks might want to force a bankruptcy, because that would leave them in a better position if their interest in a particular Trump property were secured.

But a bankruptcy specialist said that reasoning would be "naive thinking" by the bankers because of the interrelationships of Trump's myriad holdings. He said it was more likely that the smaller banks were stalling in hopes that they would be bought

See **TRUMP** *page* **16**

Miami Bank To Post Loss As Bad Loans Soar by 30%

By KENNETH CLINE and GORDON MATTHEWS

In a sign that real estate woes in the Southeast may be getting worse, Miami-based Southeast Banking Corp. said Friday that its nonperforming loans would rise by 30% in the second quarter and that it would post an unspecified loss for the quarter and the year.

The $17.1 billion-asset bank also announced it would cut it quarterly dividend by 64%, to 10 cents a share.

Deficit Estimated

Robinson-Humphrey Co., an Atlanta-based brokerage house, estimated the quarterly loss at $15 million to $20 million and projected a $25 million deficit for the year. The annual loss will be mitigated by a gain of up to $100 million on the sale of mortgage assets, the company said.

The surprise news drove down the bank's stock by $2.125, to $11.25.

After Southeast posted a first-quarter loss of $56.8 million, chairman and chief executive Charles J. Zwick said the bank

See **SOUTHEAST** *page* **16**

Mass. Bankers Protest Plan To Tax Services

By ELLEN MEMMELAAR

Massachusetts bankers are up in arms over a bill passed by the state Senate that would impose a 5% tax on their services.

Mortgage bankers say they would be most affected, and some are threatening to leave the state if the measure becomes law.

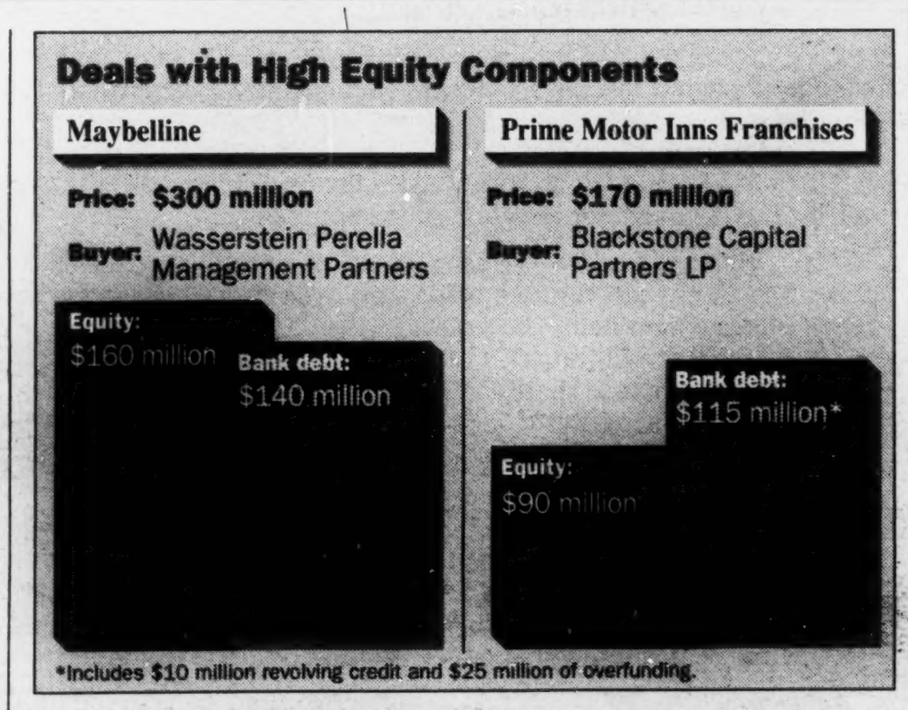
Others Would Be Taxed, Too

As part of wide-ranging package to raise $1.6 billion in taxes, the Senate is seeking to levy the 5% tax on most service industries – including law, engineering, surveying, research management, consulting, public relations, and money management. A few services, such as advertising and hairdressing, are exempt.

The bill has moved to a conference committee, where the Senate must reconcile it with a House tax package. The House version does not call for a tax on services.

"We think that the chances for

See **TAX** *page* **6**


Deals with High Equity Components
Maybelline
Price: $300 million
Buyer: Wasserstein Perella Management Partners
Equity: $160 million
Bank debt: $140 million
Prime Motor Inns Franchises
Price: $170 million
Buyer: Blackstone Capital Partners LP
Bank debt: $115 million*
Equity: $90 million
*Includes $10 million revolving credit and $25 million of overfunding.

Deals with Bigger Equity Stakes Could Set New Pattern for Buyouts

By STEVEN LIPIN

The recently proposed acquisitions of Maybelline and part of Prime Motor Inns Inc. could signal the way deals will need to be structured in the leverage-averse 1990s, bankers and buyout specialists said.

Unlike most of the deals that characterized the go-go years of the past decade, both buyouts feature extremely big equity components – in the range of 50% of the purchase price.

With banks wary of highly leveraged transactions, experts say more buyouts will need to have such conservative financial structures in order to attract lenders.

"This is what the retooled market looks like," said Michael Madden, cohead of investment

See **DEALS** *page* **22**

TECHNOLOGY REPORT

Mac Network's Banks Help To Test New Kind of ATM

By RICHARD LAYNE

PHILADELPHIA — Nine Midlantic banks have agreed to help CoreStates Financial Corp. develop two new teller machines that will allow consumers to cash checks, buy certificates of deposit, and receive account statements.

As CoreStates said when it began testing the machines last year, the new generation of ATMs could fulfill the technology's promise by taking customers off the teller line and providing round-the-clock service.

But like any new technology that could alter retail banking service, bankers are expected to spend up to a year testing it before beginning a rollout.

Installation in 1991

CoreStates said some of the banks will begin installing the two machines next year. The Mac Check machine cashes checks, and Mac Info dispenses account information and performs transactions.

In a presentation to bankers on Thursday, CoreStates also announced that it would market a telephone banking service and a machine that will allow banks to issue ATM cards in branches. All of the services are being offered to members of the Mac *ATM network.*

Some observers have suggested a check-cashing ATM could help banks comply with rules to make deposited funds available sooner, but the machines are not expected to be in use until well after such regulations take effect in September.

A Tight Schedule

Banks will then be required to credit to a customer's account within two days virtually any check deposited through an ATM.

More than 90% of banks plan to continue accepting deposits through their existing ATMs after Sept. 1, according to an American Bankers Association survey. Those banks plan to adapt in other ways to make funds available sooner.

CoreStates, working with NCR, installed the two new ATMs in a branch of Philadelphia National Bank in Newtown, Pa., 14 months ago. IBM now offers a version of both machines.

Costs Would Be Cut

In an interview last year, Bipin C. Shah, now CoreStates vice chairman, said the new ATMs could knock $150,000 a year off the cost of running a branch.

"The steak is the Mac Check. The sizzle is Mac Info."

Bonnie Hill
Philadelphia National

Richard W. Epps, senior vice president at the banking company, estimated that 75% of a teller's activities involve cashing checks. By installing check-cashing ATMs, a bank can reduce or reassign tellers.

At the Newtown branch, the ATMs have been available 24 hours a day, seven days a week. Mr. Epps said that 50% of the transactions other than cash dispensing were done outside of work hours, mostly on the weekend. Mac Check handled an estimated 70% of the electronic transactions, he said. "The steak is the Mac Check," said Bonnie Hill, a Philadelphia National executive. "The sizzle is Mac Info." □

Banks Using Less First-Class Mail

ABA Study to Be Cited in Case Against Rate Increase

By JEANNE IIDA

NEW YORK — Responding to spiraling postal costs, banks are sending 4% fewer first-class letters than they did three years ago, according to a study just completed by the American Bankers Association.

The study shows that bankers, the single biggest group of first-class mailers, are choosing less-expensive postal services when they can. It also indicates that a proposed 20% increase in first-class rates could be counterproductive for the U.S. Postal Service – by spurring declines in usage, at least among bankers.

The ABA plans to use the findings in testimony on July 17 before the Postal Rate Commission as ammunition in its fight against the rate increase.

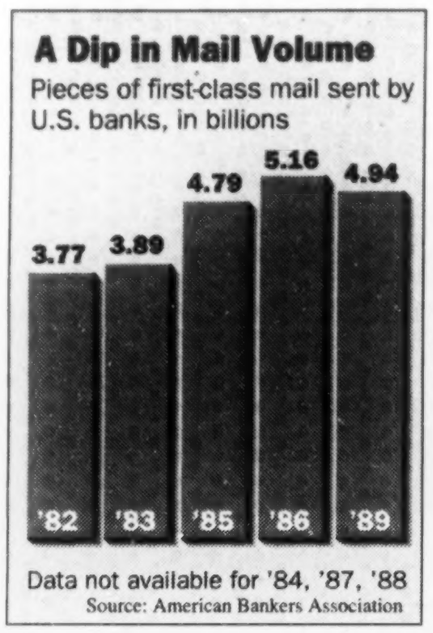
Previous ABA studies showed steady increases in the use of first-class mail by bankers. The shift in mailing habits, bankers say, is a response to actual and anticipated increases in postal rates, declines in postal service, and technology advances that allow them to send memos, documents, and intracompany letters by facsimile machine or electronic mail.

"Banks are really looking for alternatives to first-class mail," said Carlyle Jensen, vice president and manager of centralized services for U.S. National Bank of Oregon, Portland.

Required Uses

Banks are required, however, to use first-class mail for certain types of mailings, such as bank statements. The Oregon bank's postal costs will increase by about $2 million if the proposed rate increase goes into effect, Mr. Jensen said.

The ABA study, tabulating mail volume and expenses for 651 U.S.-based banks in 1989, shows that bankers sent less first-class mail but paid more for it than in 1986, when the group last conducted a survey.



While the volume of first-class mail sent by banks declined 4.3% – to 4.940 billion pieces in 1989 from 5.162 billion pieces in 1986 – the cost to banks of sending first-class mail increased to $1.526 billion from $1.467 billion. The cost increase can be attributed to a 3-cent increase in first-class rates in April 1988.

"Those numbers suggest bankers are in a competitive environment where costs matter, and they're going to do everything possible to lower those costs," said Perry D. Quick, a principal of Quick, Finan & Associates, a Washington-based economic consulting firm. Mr. Quick will represent the ABA before the Postal Rate Commission.

Major Shifts Seen

Bankers increased the amount of mail sent by third-class bulk rate by about 160% over the three-year period, to 162.4 million pieces from 61.6 million pieces.

The study showed a 300% increase in the use of priority mail, to 21.7 million pieces in 1989 from 5.4 million pieces in 1986.

A spokesman for the ABA said the study bears out the trade association's warning to the Postal Service in a 1986 rate case, when the rates climbed 25%. The ABA said the postal plan would backfire, because companies would change the way they did their mailings.

But at least one banker said it is not fair to blame the Postal Service for all of the decline in first-class mailings. "Our customers are demanding faster resolution of questions, and so we've gone to new technology," such as telephone response centers and fax, the banker said. "This is not a shift that we calculated coldly," he added.

Presorting Advocated

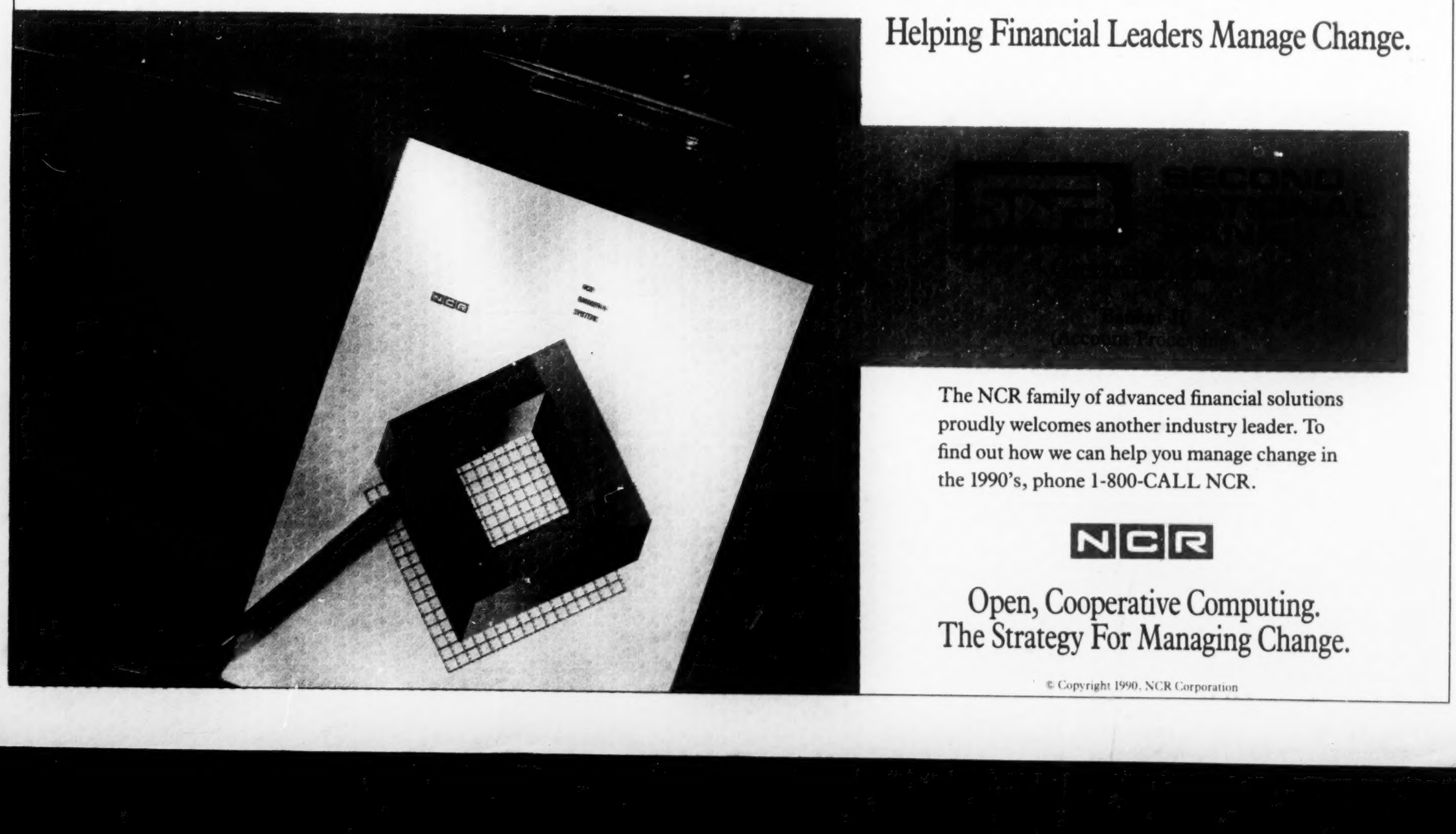
Postmaster General Anthony Frank, a former banker, has encouraged banks and other companies to invest in bar-coding and presorting equipment. "If you're paying 25 cents right now, shame on you," Mr. Frank told bankers at a recent ABA conference.

If mailers presort their mail and put bar codes on it, they could pay as little as 24.3 cents a letter, according to the Postal Service.

"For a bank our size, [installing presorting equipment] is cost-prohibitive," said L.R. Connelly, executive vice president and chief operating officer of Plaza Bank of Commerce, San Jose, Calif.

Presorting and bar-coding equipment costs $40,000 to $500,000, Mr. Quick said.

About 54% of all banks presort some or all of their mail, according to the study. A full 100% of banks with assets of $10 billion or more presorted their mail in 1989, while only 22% of banks with assets of less than $25 million did. □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COMMENT / *By Paul S. Nadler*

Investment Officers Ascend, But at a Perilous Moment

We all used to pity the investment officer. He was the guy who got the money when loan demand was weak, interest rates were low, and bond prices were high and was told to put it to work.

Then, when loan demand picked up, interest rates rose, and bond prices fell, the CEO would say, "Sell the bonds so we can lend out the money."

Naturally, bond prices having fallen, the next words the poor investment officer would hear from the CEO would be: "Schmidlapp! Why do you always lose money in the bond market?"

The Downside of 'Idiocy'

Investment officers seldom got to the top of the bank because you couldn't convince the board that this "idiot" who buys high and sells low should be promoted.

Today, however, investment officers' status should have improved.

After all, it is the loans that are causing today's losses. And with regulators having become so tough in evaluating loans and forcing banks to write off those that would have been accepted as solid before the thrift crisis, eyes are turning to good old Schmidlapp, the investment officer.

And CEOs are wondering whether he or she might not be the salvation of the bank – in other words, whether the investment arena might not be the place where the bank can find the yields it needs to cover the cost of deposits and possibly even make a profit, too!

More Complicated Investing

But those who are now turning to the investment department as their bank's salvation may find the switch tougher than they expected.

Brian Glenn – vice president of UBS Securities in New York, a certified public accountant, lawyer, and a former Internal Revenue Service agent and bank tax counsel – basically is saying: "It's tough making a decision in investments today because, now, regulatory and accounting rules are driving the transaction."

What are this expert's reasons?

First, all tax advantages for investments are gone. Banks used to be able to deduct the cost of time and savings deposit interest yet place the money in tax-exempt bonds – making a profit on the after-tax spread. No more.

Capital gains and normal income tax rates are roughly the

same, so the benefits of tax planning have largely disappeared from investment decision-making. That leaves accounting and regulatory rulemaking as the keys to investment opportunities.

And bankers soon must deal with a final set of accounting guidelines on investing versus trading, Mr. Glenn said, which will further complicate investment decision-making.

Under the guidelines, a bank must designate trading and investment portfolios. If an asset is available for sale, it must be marked to market regularly. If the bank wants to keep an investment on the books at cost, it can only sell the item under severe restrictions.

Which is the better approach? Who knows?

Restriction on CMOs

On top of this, Mr. Glenn reports that the Office of the Comptroller of the Currency will soon restrict certain collateralized mortgage obligations by declaring that those that are too volatile will not be accepted as suitable bank investments.

What is this test of volatility? If a rise or fall of 300 basis points in interest rates would lead to a change of more than seven years in the average life of these CMOs – due to a change in early repayment patterns – then the investment would be considered unsuitable for a bank.

What are Mr. Glenn's conclusions?

Tax-exempt securities will play virtually no role in most banks' portfolios in the years ahead, but CMOs will continue to be useful.

Lure of Shorter Maturities

Even with the new volatility rule, most CMOs will meet regulatory standards for bank investment. This is especially true with regard to shorter-maturity CMOs, and Mr. Glenn reports that many banks are now shortening the average life of all securities.

This is both to meet the volatility test and to minimize reported gains or losses if a bank decides to keep investments in the trading portfolio and thus must mark them to market.

So while the investment officer finally has a chance to be the bank's hero, achieving this status will not be a piece of cake. Rather, it will require understanding the implications of regulatory changes and accounting complexities that investment officers never had to face before.

So Schmidlapp has his, or her, work cut out in order to build an image and be considered a potential bank CEO. But it remains easier for this to happen than it was in the old days of being forced to buy high and sell low while lending officers' needs got high priority. □

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

A recent study by Grant Thornton, a Chicago-based accounting and consulting firm, examined the performance of 97 thrifts and the salaries paid to their top executives. Of the executives who run the 20 largest institutions, the study showed, nine received pay raises although the performance of their institutions declined. *American Banker* reporter Bill Atkinson asked:

Q In light of the shakeout in the savings and loan industry, should executives decline to take increases in salary?

■ J. Lee McCullough
Partner/Consultant
The Hay Group Inc.

Merit increases or short-term incentives should be tied to the performances of both the institution and the individual. Compensation should be more a question of how I – or the company – have performed rather than how the industry is doing.

Nonetheless, in light of the poor performance of many thrifts, I think the compensation levels of some senior executives are questionable. And I don't think the shareholders are really as sensitive to executive compensation as they should be.

Pay isn't always linked to performance. If I were a shareholder, I would be worried about that.

But if you are a shareholder in a thrift, and you object to outrageous compensation, there is an obvious question: Where were you when the proxy came out and you approved the compensation plan?

■ Michael J. Leding Jr.
President
Michael J. Leding
Jr. & Associates
Tampa, Fla.

If a thrift is a viable business, and it is run accordingly, then a raise makes sense. On the other hand, if the savings and loan is in trouble, that should mean no salary increases.

Compensation in the savings and loan industry started to change when Wall Street started to pay more attention to earnings per share. Until then, part of a thrift executive's compensation was considered to be the prestige he gained in the community.

Now, officials read proxy statements, and they say: "So and so is making this, so I should be making that."

■ Frederick L. Webber
President/CEO
U.S. League
Of Savings Institutions

The question ignores the fact that the majority of thrifts are healthy and profitable. Executives of healthy and prudently operated institutions – burdened as they are by the costs imposed on them by the Financial Institutions Reform, Recovery, and Enforcement Act – have earned their salaries.

As for troubled institutions, the question is moot. The regulators control those salary levels.

■ William F. Sinclair
Chairman/CEO
Washington Federal Savings Bank
Washington, D.C.

If an institution is profitable and has a strong net worth, executives should be given a raise. Likewise, as an executive if you've performed well, you should take a raise. If you don't reward people who are performing well, capable people are going to find work elsewhere.

By contrast, if the company is in trouble, an executive has to bite the bullet, knowing that until they get out of the jam, there aren't going to be any raises.

At Washington Federal, we are making money, yet our executive committee voluntarily cut their fees in half. That adds up to a lot of money.

■ Frank P. Felton
Chairman/CEO
First American Savings
Jenkintown, Pa.

If a savings and loan is profitable and it meets all of its fully phased-in capital requirements, its executives should be paid for performance and should not be penalized because some institutions have been poorly handled.

If thrifts were not able to pay salaries comparable to those at other financial institutions, it would be impossible for them to attract qualified, well-trained personnel.

Besides, the salaries paid to executives by savings and loans have to be reported to the Office of Thrift Supervision. If in the opinion of the OTS, any officer is being paid too much, the agency will advise the institution involved. □

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